

RECEIVED

JUL 31 2007

July 30, 2007

Ravalli County Commissioners

--	--	--	--	--

Ravalli County Board of County Commissioners
215 South 4th Street, Suite A
Hamilton, Montana 59840

RE: Fiscal Impact Model

Commissioners:

Pursuant to your request, I am pleased to submit this proposal for consulting services for the preparation of a fiscal impact model to be used to gauge the effects of new subdivision developments on Ravalli County revenues and expenditures. The following Scope of Work is an outline of the tasks to be undertaken for the preparation of the fiscal impact model. The Scope of Work is followed by the Level of Effort section including the estimated costs of completing the project.

SCOPE OF WORK

Task 1. County Budget Analysis

1-A Budget Organization

The *Ravalli County 06/07 Budget* is divided into nearly one hundred funds. Some of the funds are used merely to account for special purpose monies, one time revenues or grants. Examples of such funds are #2250 - Impact Fee Study or #2925 VEST Grant.

In order to analyze the budget preparatory to developing the fiscal impact model it will be necessary to organize the various funds and departments within funds according to the overall purpose of the fund accounting. Once the budget markers are established it will be possible to instantly identify budget responsibilities by elected official or department head for any particular fund or divisions within funds. For example, all of the budget items assigned to the Sheriff or the County Commissioners could be grouped and further assigned functional classifications such as General Government or Public Safety. One-time revenues and capital expenditures will be segregated in order to determine the ongoing operating costs which are the core of fiscal impact analysis.

1-B Account for Interfund Transfers

There are several interfund transfers in the budget. The PILT Fund, for example, was budgeted to receive \$1.5 million in the *06/07 Budget*. All of the PILT revenues were budgeted to be transferred out of the PILT fund to other budget funds. To the extent the PILT monies may eventually have been used to fund operating expenses, it is necessary to track the fund transfers and account for the funds in the fiscal impact model. A to/from matrix of fund transfers will be prepared (if one is not available) to track the fund transfers and evaluate the uses of the transferred funds.

1-C Identify Project-Related Service Delivery Costs and Revenues

Fiscal impact analysis is primarily the analysis of service delivery costs (operating expenditures) compared to revenues. Since the focus of the model will most likely be residential subdivisions, the service delivery costs may be normalized and expressed in per capita or per household terms. Department heads and elected officials will be interviewed to help determine the various driving forces behind the service delivery costs and to estimate the residential demand for services.

Appropriate revenues will also be projected in similar terms. Certain revenues, such as property taxes, will be projected independently of average revenue methodology and will be based on project specific parameters and variables.

Capital expenditures are not typically considered in fiscal impact analysis but are usually addressed in Capital Improvements Programs and Impact Fee analysis. The Board has expressed interest in addressing the costs of recurring capital expenditures as part of the general subject of fiscal impact analysis. This may result ultimately in the formulation of some form of a capital expansion fee exaction or impact fees and merits further discussion with the Board, other elected officials and County department heads.

Task 2. Construct A Fiscal Impact Model

A Fiscal Impact Model will be developed that will project annual revenues and expenditures and the net fiscal balance (revenues minus expenditures) for a proxy project. It is very difficult and expensive to construct a general model that can address any type of project automatically. By developing a model that will mirror a typical subdivision (the proxy statement), it will be possible to substitute different subdivision development scenarios for the hypothetical subdivision. This will allow the County to evaluate different residential subdivisions for minimal cost using the model.

There are several issues that will need to be addressed in the model. The planning horizon for the projections should encompass a realistic development period for large developments. Shorter development periods can also be evaluated without modifying the model.

Fiscal impact models typically are constructed using either average or marginal cost approaches. It is anticipated that the Ravalli County model will generally be based on average cost methodology with some marginal cost elements. This approach assumes that, on average, service

delivery costs are consistent throughout the County although some exceptions may be appropriate.

Property taxes will need to be projected for each of the levied funds. Property tax rules will be incorporated into the model including the various assessment ratios for qualified and unqualified agricultural lands. The model will be based on present value assumptions which will minimize the effects of the offsetting homestead exemptions and variable property tax rates as well as phase in rules. The property tax component of the model will obviously require particular attention.


A report will be prepared describing the model including the assumptions used in the model. An explanation of the proxy project in fiscal terms and in the context of the model and the fiscal impacts analysis of the proxy project will be included in the report.

LEVEL OF EFFORT

The estimated level of effort required to complete the tasks outlined in the above tasks is 100 to 120 hours. My hourly billing rate is Seventy-Five Dollars (\$75.00) per hour. Therefore, the estimated cost for preparation of the Ravalli County Fiscal Impact Model is Seven Thousand, Five Hundred to Nine Thousand Dollars (\$7,500.00 to \$9,000.00). It is proposed that the work be performed on an hourly basis plus expenses. It is further proposed that the work effort not exceed one hundred twenty (120) hours without further authorization from the Board. Expenses, including copies and data acquisition costs will be billed at actual cost.

I appreciate the opportunity to submit this proposal for professional consulting services and look forward to working with the Board as the project evolves. If you have any questions or require additional information, do not hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink that reads "Dennis Stranger". The signature is fluid and cursive, with the first name "Dennis" and last name "Stranger" clearly legible.

Dennis Stranger